

CHICAGO AND



TRANSPORTATION COMPANY

CORPORATE COMMUNICATIONS AND SECRETARY

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JUN 24 1986

DIRECT DIAL NUMBER

June 16, 1986

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Date
Fee \$ 10.00

File No. A-12749

ICC Washington, D. C.

Mr. James H. Bayne
Secretary

Interstate Commerce Commission
Washington, D. C. 20423

REGISTRATION NO. **14987** Filed 1426

JUN 24 1986 -1 45 PM

INTERSTATE COMMERCE COMMISSION

ICC OFFICE OF
THE SECRETARY
JUN 24 1 36 PM '86
MOTOR OPERATING UNIT

Dear Mr. Bayne:

Pursuant to Section 11303 (formerly Section 20c) of the Interstate Commerce Act, enclosed for recordation are counterparts of Equipment Lease dated as of June 15, 1986 between Greyhound Leasing & Financial Corporation and Chicago and North Western Transportation Company, covering various pieces of Railway Equipment as listed on Schedule A attached to the Agreement.

The names and addresses of the parties to the transaction are as follows:

1. Greyhound Leasing & Financial Corporation,
Greyhound Tower, Phoenix, Arizona 85007
ATTN: Vice President, Risk Manager- Commercial
Finance
2. Chicago and North Western Transportation
Company, One North Western Center, Chicago,
Illinois 60606

Enclosed is a check for \$10.00 to cover your recording fee. Please assign a recordation number, retain one counterpart for your files, and return the remaining counterparts showing recordation data.

Sincerely

Lisa M. Fanelli
Lisa M. Fanelli
Assistant Secretary

Enclosure

cc: G. R. Charles
R. F. Guenther
R. L. Johnson
D. E. Stockham, Attn: P. J. Brod
M. R. Jeske
Arthur Anderson & Co. (Paul Keglevic)

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ONE NORTH WESTERN CENTER / CHICAGO, ILLINOIS 60606

Handwritten notes:
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Interstate Commerce Commission
Washington, D.C. 20423

6/24/86

OFFICE OF THE SECRETARY

Lisa M. Fanelli
Assist. Sec.
Chicago & North Western Transp.Co.
One North Western Center
Chicago, Illinois 60606

Dear Ms. Fanelli:

The enclosed documents(s) was recorded pursuant to the provision of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/24/86 at 1:45pm , and assigned re-cordation number(s). 14987

Sincerely yours,

Noreta R. McGee
Secretary

11987

RECEIVED JUN 24 1986 Filed 1425

JUN 24 1986 - 1 45 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT
BETWEEN
GREYHOUND LEASING & FINANCIAL CORPORATION
AND
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

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EQUIPMENT LEASE AGREEMENT

THIS EQUIPMENT LEASE AGREEMENT (the "Lease"), is dated as of the 15 day of June, 1986, and is by and between Greyhound Leasing & Financial Corporation, a Delaware corporation (the "Lessor") and Chicago and North Western Transportation Company, a Delaware corporation (the "Lessee").

WITNESSETH:

1. Net Lease. The Lessor hereby agrees, subject to satisfaction of the conditions hereinafter set forth, to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor various maintenance of way equipment, (individually called an "Item of Equipment" and collectively the "Equipment") described on the attached Schedule A. The aggregate of the Cost, as hereinafter defined, of the Items of Equipment described on the equipment List shall at no time exceed SIX MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$6,550,000.00). This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Rentals, as hereinafter defined, hereunder, and the rights of Lessor in and to such Rentals, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (herein referred to as the "Abatements") for any reason whatsoever,

including without limitation, Abatements due to any present or future claims against the Lessor under this Lease or otherwise, or against the manufacturer, seller, or Vendor, as hereinafter defined, of any Item of Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Equipment or any Item of Equipment thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor or the Lessee to enter into this Lease, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rentals payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as expressly provided herein, the Lessee nonetheless agrees to pay to the Lessor an amount equal to each payment of Rental with respect to each Item of Equipment remaining in the Lessee's possession other than in storage pursuant to the provisions hereof at the time such payment would have become due and payable in

accordance with the terms hereof had this Lease not been so terminated. The Lessee hereby waives, and hereby agrees to waive at any future time at the request of the Lessor, to the extent now or then permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it by statute or otherwise to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rental made by the Lessee to the Lessor shall be final as between the Lessor and the Lessee (except as to any amount, which the Lessee shall be entitled to recover, by which such Rental exceeds the correct amount that should have been paid in accordance with any provision hereof for adjustment or other determination of the Rental), and the Lessee will not (except as aforesaid) seek to recover all or any part of any such payment of the Rental from the Lessor for any reason whatsoever.

2. Term. The term (the "Term") of this Lease for each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of each such Item of Equipment hereunder ("Interim Lease Commencement Date(s)"). The base lease term (the "Base Lease Term") shall commence on January 1, 1987 (the "Base Lease Commencement Date") and shall terminate on December 31, 1994, subject to the provisions of Section 13. The word "Term" as used herein shall include up to two consecutive Renewal Terms (as hereinafter defined) permitted hereunder. Upon one hundred

eighty (180) days' delivered written notice prior to expiration of the Base Lease Term or the first Renewal Term, as the case may be, the Lessee shall have the right to renew the Lease with respect to all, but not less than all, of the Equipment for an additional one-year period (a "Renewal Term") at the Fair Market Rate (provided that no Event of Default, or event which with the passage of time or giving of notice or both would constitute an Event of Default, shall have occurred and be continuing) for a maximum of two one-year Renewal Terms. Lessor, at its option, may recalculate the Stipulated Loss Value for each renewal term for the Units based on reasonable assumptions and the same method of calculation used to prepare Schedule B.

3. Rentals and Rental Payment Dates. Interim rents for the use of the Equipment from the Closing Dates to the Base Lease Commencement Date are reflected in the rentals described below. The Lessee shall pay to the Lessor for each Item of Equipment leased hereunder thirty-two rental payments during the Base Lease Term, the first sixteen quarterly rental payments to equal 3.168898% and the last sixteen quarterly payments to equal 3.87309%, in each case of the cost of each Item of Equipment as referenced on the applicable Certificate of Inspection and Acceptance for such Item of Equipment (the "Cost"). Rental payments shall be made quarterly in arrears on April 1, July 1, October 1 and January 1 (individually a "Rental Payment Date" and collectively the "Rental Payment Dates") of each year commencing

April 1, 1987 and ending January 1, 1995 (individually the "Rental" and collectively the "Rentals"). If any of the quarterly Rental Payment Dates are not Business Days, the Rental otherwise payable on such date shall be payable in immediately available funds as hereinafter provided on the next succeeding Business Day. For purposes of this Lease, the term "Business Day" means calendar days, excluding Saturdays, Sundays, and holidays on which Lessor's or Lessee's offices or banks in Phoenix, Arizona or Chicago, Illinois are closed for business.

In the event the Lessee shall be in default in the payment of any sum of money to be paid under this Lease, whether Rental or otherwise, the Lessee shall pay the Lessor, as additional Rental, to the extent permitted by applicable law, interest on such unpaid sum from its due date to date of payment by the Lessee at a rate equal to 3% over the Prime Rate ("Overdue Rate"). Prime Rate shall mean, for purposes of this Lease, the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time as Citibank, N.A.'s base rate.

Rental and all other amounts payable to the Lessor hereunder shall be made by Federal Funds wire transfer for the account of the Lessor to a bank within the United States of America to be designated by the Lessor, together with notice so as to provide the Lessor with the use of the funds on or before 11 a.m., C.S.T., on the due date.

The Lessee and the Lessor agree that, except as hereinafter provided, the Rentals payable hereunder and the Stipulated Loss Values set forth in Schedule B hereto will be adjusted upward or downward to reflect any one or more of the following which alter Lessor's after-tax yield and aggregate after-tax cash flow:

(A) a "Change in Tax Law" which shall mean either (i) any amendment, modification, deletion, addition or change in and to (1) the provisions of the Internal Revenue Code of 1954, as amended on the date hereof (the "Code") enacted by the 99th Congress, or (2) any statutory compilation of the income tax laws of the United States enacted by the 99th Congress to supersede, amend or supplement the Code ("Federal Tax Law"), or (3) the Treasury Regulations (including temporary regulations), or (ii) any change in the interpretation of the Code or Federal Tax Law or Treasury Regulations (including temporary regulations) (1) in a non-appealable decision by any Federal court, or (2) by the issuance of an Internal Revenue Service ("IRS") Revenue Ruling or Revenue Procedure or other written pronouncement, statement of policy or administrative interpretation by the IRS or the Department of Treasury which has binding and precedential force and effect, or (3) by the issuance of an Executive Order of the President of the United States. Change in Tax Law shall not include any effect on Lessor's after-tax yield and/or aggregate after-tax cash flow arising from or in connection with Lessor's election to pay an alternate minimum tax.

(B) closings on dates and in such amounts which cause July 1, 1986 not to be the weighted average of all Closing Dates for all Items of Equipment, where such weighted average shall be determined by taking (for each Closing Date) the number of days (from, but including such Closing Date to the end of the period from the first Closing Date to the last Closing Date ("Period")) multiplied by the Cost of the Items of Equipment leased on such Closing Date. The sum of the products of these calculations for all Closing Dates in the Period shall be divided by the total Cost for all Closing Dates in the Period, which shall result in the number of days prior to the end of the Period (not counting the last day of the Period) which is the weighted average Closing Date; or

(C) a Base Lease Commencement Date different from January 1, 1987.

If, as a result of the occurrence of one or more of the foregoing events (A), (B) or (C) Rentals payable hereunder and/or the Stipulated Loss Values set forth in Schedule B hereto would require adjustment upward or downward, then Rentals and/or the Stipulated Loss Values during the Base Lease Term shall be adjusted upward or downward on a ratable basis so as to restore Lessor to the same after-tax yield and the same aggregate after-tax cash flow, as calculated in Lessor's reasonable judgment, that Lessor would otherwise have enjoyed had such events (A), (B) and/or (C) not occurred, (i) based on the rates

of Federal, state and local taxes in effect from time to time on, or measured by, net income, and (ii) in all other respects based on the assumptions and methods of calculation utilized by the Lessor in originally evaluating the transaction described in this Lease and related documents. Any rental adjustment will be effective as of the first Rental Payment Date following the event giving rise to such adjustment.

The Lessor shall furnish the Lessee prior to the effective date of any rental adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment but shall not be required to divulge its after-tax rate of return or other confidential matters with regard to any such computation. Lessee shall have the right to review Lessor's rental adjustments for reasonableness and to approve such adjustment. Such review and approval shall occur within ten days of notification by Lessor of the rental adjustment. If Lessee shall not have notified Lessor of its disapproval of such rental adjustment within such ten day period, such adjustment shall be deemed approved. If Lessee finds the rate unreasonable, the parties shall consult and agree upon a mutually agreeable rate. If Lessee and Lessor are unable to reach agreement on a rate within 30 days of Lessor's notice, the decision shall be promptly referred to a nationally recognized accounting firm of certified public accountants appointed by Lessor to determine whether such computations of the Lessor are

mathematically accurate. Such accounting firm shall be requested to make its determination within thirty (30) days. The determination of the appropriate computations made by such accounting firm shall be binding on the Lessee and the Lessor. Any cost and expenses incurred to secure such determination shall be paid by the Lessee unless the Lessor's accounting firm shall determine that the amount of any rental adjustment as determined by the Lessor shall have been overstated by more than four (4%) percent, in which event the Lessor shall pay the costs of such accounting. The Lessee agrees that any information designated as confidential by Lessor acquired by the Lessee in connection with any determination of the appropriate computations shall be kept strictly confidential and shall not be revealed to any person.

Lessor shall not be obligated to lease to Lessee any Item of Equipment not delivered to and accepted by Lessee by December 31, 1986 unless an extension of time is mutually agreed upon by Lessor and Lessee.

4. Taxes Against Lessor or Equipment. The Lessee agrees to pay and to indemnify and hold the Lessor harmless from, all license and registration fees and sale, use, personal property, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon imposed against the Lessor, the Lessee or the Equipment or any part thereof by any federal, state, foreign or local government or taxing authority, during the term

or in connection with the termination of this Lease, upon or with respect to the Equipment or any part thereof or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition (except for any disposition by the Lessor other than (i) a disposition occurring upon an Event of Loss or an Event of Default or (ii) a disposition to the Lessee) thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, (i) any taxes (applied in lieu of any income taxes or as additional income taxes) imposed by the federal government on, based on, or measured by, the net income of the Lessor including but not limited to any value added taxes or franchise taxes; (ii) any taxes (applied in lieu of any income taxes or as additional income taxes) imposed by any taxing authority other than the Federal government on, based on, or measured by, the net income of the Lessor including, but not limited to, any value added taxes or franchise taxes which in the aggregate do not exceed the amount of any such taxes imposed by reason of this transaction which would be payable to the taxing authorities of the jurisdictions, other than the United States of America, in which the Lessor has its principal place of business assuming no allocation or apportionment to any other taxing authority, (iii) franchise taxes based on the corporate characteristics of the Lessor and (iv) any tax or similar charge included in the Cost of any Item of Equipment, except to the extent that any of the forgoing

events referred to in clauses (i) through (iv) arose by virtue of a violation of any of Lessee's obligations hereunder); unless, and only to the extent and for the period that, any such tax, levy, impost, duty, charge or withholding is being contested by the Lessee in good faith and by appropriate proceedings (all such taxes, fees and charges as defined in this sentence being hereinafter referred to as the "Indemnified Taxes" or the "Taxes").

Any payment made by Lessee pursuant to this Section 4 shall reflect the net increase in Lessor's federal, state or local income taxes as a result of the inclusion in Lessor's income of any amount required to be paid by Lessee under this Section 4.

In case any report or return is required to be made with respect to any obligation of the Lessee under this Section or arising out of this Section, the Lessee will either prepare and file such report or return in such manner as will show the ownership of the Equipment in the Lessor and, upon reasonable request of the Lessor, send a copy of such report or return to the Lessor or will timely notify Lessor of such requirement and the Lessee will prepare such report or return for filing by the Lessor in such manner as shall be satisfactory to the Lessor. If claim is made against the Lessor for any Indemnified Taxes, the Lessor shall promptly notify the Lessee in writing. If reasonably requested by the Lessee in writing, the Lessor shall, at the Lessee's expense, take such action as the Lessee may reasonably request with respect to such asserted liability, provided that the

Lessee furnishes an opinion of independent counsel, selected by the Lessee and satisfactory to the Lessor, to the effect that there is a reasonable basis for contesting such asserted liability. If Lessor elects to pay any tax required to be paid by Lessee hereunder (provided, however, that Lessor is not required or obligated to pay such tax), Lessor shall pay such tax under protest, if reasonably so requested by Lessee and if such protest is necessary and proper. If payment is made by Lessor, Lessee shall reimburse Lessor for such payment on demand together with interest at the Overdue Rate for the number of days such payment is unreimbursed by the Lessee and the Lessor shall, at the Lessee's expense, take such action as the Lessee may reasonably request to recover such payment and shall, if requested, permit the Lessee in the Lessor's name to file a claim or prosecute an action to recover such payment. If the Lessor shall obtain a refund of all or any part of such taxes, fees or other charges previously reimbursed by the Lessee in connection with any such contest or any amount representing interest thereon applicable to the amount paid by the Lessee and for the period of such payment, the Lessor shall pay to the Lessee the amount of such refund and any interest received by the Lessor net of expenses, but only if no Event of Default, or event which with notice of lapse of time or both would constitute an Event of Default, shall have occurred and be continuing. All of the obligations of the Lessee under this Section with respect to

any Indemnified Taxes imposed or accrued before the expiration or other termination of this Lease shall continue in full force and effect notwithstanding such expiration or other termination and are expressly made for the benefit of, and shall be enforceable by, the Lessor.

5. Lessee's Failure to Pay Taxes, Insurance, Etc. Should the Lessee fail to make any payment or do any act as herein provided, then the Lessor shall have the right, but not the obligation, without releasing Lessee from any obligation hereunder, to make or do the same, and to pay, purchase, contest or compromise any Lien (as hereinafter defined) not permitted hereunder which in the Lessor's reasonable judgment appears to substantially affect the Equipment or the Lessor's rights with respect thereto, and in exercising any such rights, incur any liability and expend whatever amounts in its discretion it may deem necessary therefor, provided, however, that the Lessor shall take no such action nor expend any such amount without prior notice to the Lessee at least twenty (20) days preceding such proposed action or expenditure or, if to prevent any Lien from attaching to any Item of Equipment due to any statutory limitation under any law or regulation it is necessary to take such action or make such expenditure within such twenty (20) day period, within such statutory limitation period, and shall consider all reasonable requests made by the Lessee prior to taking such action or making such expenditure. All sums so incurred or

expended by the Lessor shall be upon demand immediately due and payable by the Lessee and shall bear interest at the Overdue Rate from the date so incurred or expended by the Lessor to the date the Lessor is reimbursed therefor by the Lessee.

6. Use and Ownership. So long as Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease. The Lessee shall use, operate, maintain and store the Equipment only in the ordinary course of Lessee's business and by competent agents or employees and otherwise in a careful and proper manner and shall comply with all laws, ordinances and regulations in any way relating to the possession, use, operation or maintenance of the Equipment. The Lessee agrees to pay all costs incurred in connection with the use and operation of each Item of the Equipment, during the Term thereof, including but not limited to, repairs, maintenance, storage and servicing, except to the extent that such costs are paid by the manufacturer or Vendor. Nothing herein will contravene Lessee's right to contest unreasonable costs incurred with respect to the Equipment assessed by any third party.

The Lessee acknowledges and agrees that it does not have and will not acquire legal title to the Equipment, it being expressly understood that this Lease is an agreement of lease only. The Equipment is and shall at all times remain the sole and exclusive property of the Lessor. The only interest the Lessee shall have

in the Equipment is that of a lessee hereunder. The Lessee shall affix to each Item of Equipment and keep and maintain, plainly and distinctly, permanently and conspicuously upon each such Item of Equipment the following words:

"Owned by Greyhound Leasing & Financial Corporation
Owner-Lessor"

The Lessee shall keep the Equipment free from any markings or labeling which might be interpreted as a claim of ownership thereof by the Lessee or any party other than the Lessor or its assigns except that the Equipment may be lettered with the name or initials or other insignia customarily used by Lessee on similar equipment. So long as no Event of Default or event which with the passage of time or the giving of notice would constitute an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to sublease the Equipment for its intended purpose to reputable railroad or other non-foreign corporations or entities, if the Lessee shall have first obtained the written consent, not to be unreasonably withheld, of the Lessor; provided, however, that the Lessee shall have the right to sublease the Equipment or any Item of Equipment to any reputable corporation or entity organized under the laws of the United States of America or any state thereof or the District of Columbia without the Lessor's consent if such sublease is for a term not longer than the lesser of six (6) months or one day less than the remaining term of this Lease provided however, that Lessee may not so sublease any Item of Equipment to the same

sublessee for more than six (6) months in the aggregate in any twelve (12) month period. Lessee shall provide Lessor with notification of any sublease and a copy of such sublease. The Lessee shall not assign or permit the assignment of the Equipment for use or operation involving other than occasional operation and maintenance thereof in Canada and/or Mexico. Any sublease (i) shall be, in all respects, subject and subordinate to the terms and conditions of this Lease and Lessor's interest in the Equipment, including, without limitation, Lessor's right to repossession, (ii) shall not contain any provision which in any way diminishes the rights of Lessor hereunder or increases any obligation or liability of Lessor hereunder, as this Lease may be amended and supplemented from time to time, (iii) shall provide that the Equipment will be operated, maintained and insured in accordance with the terms hereof and (iv) shall not diminish in any way Lessee's liability under this Lease, as amended and supplemented from time to time, for the performance of each and every of its obligations hereunder and Lessee's liability shall remain that of a principal and not a surety. Any sublease for a term of one year or longer, and the payments due thereunder, shall be assigned in writing to Lessor as additional collateral to secure the performance by Lessee of its obligations hereunder and such assignment shall be consented to in writing by the sublessee, which consent shall recognize Lessor's right to succeed to the rights of Lessee as sublessor under the sublease

if an Event of Default shall occur hereunder or if Lessee shall be in default under the assignment of such sublease.

Lessee shall not use the equipment outside the geographic limits of the United States of America except for occasional use in Canada and/or Mexico.

7. Alterations. The Lessee shall make any alterations, additions or improvements to the Equipment if such alterations, additions or improvements to the Equipment are required pursuant to Lessee's obligation to maintain the Equipment hereunder or by law, governmental regulation or by the Association of American Railroads (the "AAR") and any such alterations, additions or improvements shall be considered accessions to the Equipment and title thereto shall be immediately vested in Lessor without cost or expense to Lessor. Lessee shall have the right, without Lessor's consent, to make other modifications, alterations, additions or improvements to the Equipment which do not impair the intended function of the Equipment, and do not diminish the value of the Equipment. Lessee shall have the right to remove any such modification, alteration, addition or improvement at the end of the Term at its expense provided that such removal does not damage the Equipment and such modifications, alterations, additions or improvements are not required by law, governmental regulation or by the AAR.

8. Maintenance and Repair. The Lessee, at its sole cost and expense, shall keep the Equipment in good operating order,

repair and condition and shall furnish any and all parts, mechanisms or devices required to keep the Equipment in good mechanical and working order, ordinary wear and tear excepted. In addition, in performing maintenance and repair, the Lessee shall maintain the Equipment at a level as performed by the Lessee for other similar equipment owned or leased by the Lessee and as is customary in the railroad industry and in compliance with all requirements of law, governmental regulation and the AAR.

9. Delivery, Acceptance and Payment of Lessor's Cost.

(a) The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Equipment. Upon delivery of each Item of Equipment, the Lessee will cause an employee of the Lessee to inspect the same and, if such Item of Equipment is found to be acceptable, to accept delivery of such Item of Equipment and such date of acceptance shall be the "Acceptance Date" for such Item of Equipment and the Lessee shall execute and deliver to the Lessor on or before the Closing Date (defined below) for such Item of Equipment the Certificate of Inspection and Acceptance whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee hereunder on the Acceptance Date and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee shall not accept any Item of Equipment if it will be unable on such date to certify to the Lessor as to those matters provided in Exhibit F hereto. Prior to execution of each Certificate of Inspection and

Acceptance the Lessee shall have made at its expense all necessary inspections and tests of each Item of Equipment referred to therein, to determine whether such Item of Equipment conforms to the Lessee's specifications. Each Item of Equipment that appears on a Certificate of Inspection and Acceptance, as between Lessee and Lessor, shall be deemed to conform to the Lessee's specifications, shall be deemed to be in good condition and without defects and shall be deemed to be an Item of Equipment subject to the terms of this Lease. "Closing Date" is any date that the Lessor makes a payment to the vendor of the Equipment (the "Vendor") for any Item of Equipment.

On each Acceptance Date title to each Item of Equipment so accepted by the Lessee shall be deemed to have been transferred to and accepted by the Lessor (and such Item of Equipment shall be deemed accepted by the Lessee under this Lease) and shall be an Item of Equipment leased to the Lessee pursuant to this Lease and the Lessor shall thereupon purchase such Item of Equipment from the Vendor by paying to the Vendor the Lessor's cost of such Item of Equipment by wire transfer for amounts exceeding \$5,000 and otherwise in a commercially reasonable manner, on the applicable Closing Date, if all the terms and conditions hereof shall have been complied with, including, without limitation, Lessor's receipt of the notice and other documents specified in Section 9(b) hereof.

(b) From time to time, the Lessee shall deliver to the Lessor a written notice of a proposed Closing Date with respect to one or more Items of Equipment theretofore accepted by the Lessor hereunder for which no Closing Date has previously occurred (or, if a Closing Date has previously occurred, for which one or more additional items of Lessor's Cost with respect thereto are due and payable). Such notice shall be given at least five (5) Business Days prior to the Closing Date specified therein, shall identify in reasonable detail all Items of Equipment or part thereof, the Lessor's Cost of which is to be paid on such Closing Date, shall specify each item of said Lessor's Cost and contain the name, address and place of payment of each Vendor of each Item of Equipment and shall be accompanied by (i) a full warranty bill of sale, substantially in the form of Exhibit "B" hereto, in favor of the Lessor with respect to each such Item of Equipment, dated the Acceptance Date thereof, (ii) an opinion of counsel to the Vendor substantially in the form of Exhibit "C" hereto, (iii) an invoice for each such Item of Equipment showing in reasonable detail all items of the Lessor's Cost thereof, (iv) a Certificate of Inspection and Acceptance, substantially in the form of Exhibit "A" hereto dated the Acceptance Date, covering all such Items and specifying the Acceptance Date of each such Item of Equipment, (v) a certificate of a duly authorized officer of Lessee, substantially in the form of Exhibit "F" hereto, dated

the Closing Date, (vi) the filing of UCC-1 financing statements, if necessary, and/or other documents required to be filed or recorded to preserve, protect and perfect Lessor's interest in the Equipment, and (vii) an opinion, addressed to Lessor, of the Lessee's Counsel dated the Closing Date for the Items of Equipment leased hereunder on such date, substantially in the form of Exhibit "D" hereto.

There shall be no more than six closings under this Lease the last of which shall be no later than January 31, 1987 unless otherwise mutually agreed upon by the Lessee and the Lessor. Unless otherwise mutually agreed upon by the Lessee and the Lessor, no closing other than the last closing shall be for less than \$750,000.

10. Inspection; Lessee Reports. The Lessor shall at all times during normal business hours have upon prior written notice to the Lessee's Assistant Vice President-Finance the right to reasonably enter the premises of the Lessee or any sublessee where the Equipment may be located for the purpose of inspecting and examining the condition, use, and operation of the Equipment to ensure compliance by the Lessee with its obligations hereunder, provided, that the Lessor shall have no duty to inspect and shall not incur any liability or obligation by reason of not making any such inspection.

The Lessee shall furnish the Lessor (i) within 45 days after the end of each of the first three fiscal quarters of each fiscal

year, the unaudited quarterly, and within 120 days after the end of each fiscal year, the audited annual consolidated statement of income and expenses, consolidated balance sheet and consolidated statement of sources and application of funds of the Lessee and its subsidiaries, such audited annual financial statements to be certified to by the Lessee's independent certified public accountants; (ii) the Lessee's annual form 10-K to the Securities and Exchange Commission and (iii) within 120 days after the close of each fiscal year of the Lessee after the date hereof, a certificate of an authorized officer of the Lessee stating that he has reviewed the activities of the Lessee and that, to the best of his knowledge, there exists no Event of Default, as such term is defined in this Lease, and no event which with the giving of notice or the lapse of time, or both, would become an Event of Default. Lessee shall furnish to Lessor without demand (i) notification immediately thereafter of claims or demands made in writing to a management employee of the Lessee for an amount in excess of \$10,000 arising out of the ownership or alleged or apparent improper manufacture, functioning or operation of any Item of Equipment, details thereof, and copies of documents pertaining thereto (Lessee and its employees shall aid in the investigation and defense of all such claims and in the recovery of damages from third persons) and (ii) written notice within 10 days after any day on which any tax lien shall attach to any Item of Equipment, of the location of such Item of Equipment on such

day. Further, the Lessee agrees to furnish the Lessor from time to time such other schedules, certificates and reports in such form and detail as the Lessor may reasonably request.

11. Warranties. THE LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY THE LESSEE. THE LESSOR HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT, AND FURTHERMORE SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE (DIRECT OR CONSEQUENTIAL) OR EXPENSE OF ANY KIND OR NATURE OR ANY LOSS OF BUSINESS (OTHER THAN THROUGH A LOSS OF QUIET ENJOYMENT) CAUSED DIRECTLY OR INDIRECTLY, BY ANY ITEM OF EQUIPMENT OR ANY INADEQUACY THEREOF FOR A PURPOSE, OR ANY DEFICIENCY OR DEFECT (LATENT OR PATENT) THEREIN, OR THE USE OR MAINTENANCE THEREOF, OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO, OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF. THE EQUIPMENT IS LEASED HEREUNDER BY THE LESSOR "AS-IS".

The Lessor hereby represents to the Lessee that the Lessor has the full right and authority to enter into this Lease on the terms herein stated, and that, conditioned upon the Lessee

performing all of the terms, covenants and conditions hereof, the Lessor, its successors and assigns will not disturb the Lessee's peaceable and quiet possession and use of the Equipment during the Term of this Lease, provided that no Event of Default has occurred and is continuing.

So long as and only so long as no Event of Default has occurred and is continuing, the Lessor hereby authorizes the Lessee during the Term of this Lease to assert for the Lessor's account all of its right, title and interest in, under and to any warranty in respect of the Equipment issued by the manufacturer thereof, and agrees to execute and deliver such further instruments as may be reasonably necessary to enable the Lessee to enforce such warranty. All claims or actions on any warranty shall be made or prosecuted by the Lessee, at its sole cost and expense, and the Lessor shall have no obligation whatsoever to make any claim on such warranty. Any recovery under such a warranty shall be applied first to restore the Equipment; second, to pay the reasonable out-of-pocket expenses the Lessee incurs in enforcing such warranty claim; and third, to pay any balance to the Lessor. The Lessor further authorizes Lessee to obtain whatever service to the Equipment the manufacturer or Vendor customarily renders, provided that no such service shall be at the cost or expense of the Lessor.

12. Insurance. Lessee will without cost to the Lessor at all times throughout the Term of this Lease insure the Equipment

against liability exposures and casualties to the same extent as apply to the Lessee's own exposures to liability and casualty losses on similar equipment which it then owns or leases. Insurance requirements with respect to limits, coverage and specific policy provisions for liability coverage will not be more restrictive than the terms and conditions and self-retention limits under insurance coverage carried by the Lessee on the first Interim Lease Commencement Date or, if the Lessee fails to comply with this requirement, under such terms and conditions and self-retention limits as the Lessor may reasonably find acceptable. For property coverage, such terms and conditions and self-retention limits will not be more restrictive than those the Lessee has in its policies from time to time. Lessor will be named as an additional insured, as its interests may appear, under the Lessee's own property and liability policies but will not be named as a loss payee. Lessee shall furnish the Lessor with Evidence of Insurance (defined below) evidencing such coverages prior to the first Interim Lease Commencement Date and annually thereafter within fifteen (15) days of the expiration of such insurance coverages. "Evidence of Insurance" will consist of, other than for the first Interim Lease Commencement Date, a certificate or verification of insurance reasonably acceptable to Lessor prepared by the Lessee's independent insurance broker or captive insurers and for the first Interim Lease Commencement Date, a certificate of an authorized officer of Lessee along with

evidence of the coverage certified to by Lessee. With respect to Evidence of Insurance provided on the first Interim Lease Commencement Date, Lessee shall promptly provide an independent verification of insurance coverage to Lessor when it becomes available. The Evidence of Insurance shall provide or certify that coverage may not be cancelled or materially adversely modified without thirty (30) days' prior written notice to the Lessor. The Lessee's obligation to keep the Equipment insured as provided herein shall continue until the Equipment is returned to the Lessor pursuant to the provisions hereof.

Except with respect to any policy of insurance carried by Lessor for which the Lessee is not obligated to reimburse Lessor hereunder, if the Lessor shall receive any property insurance proceeds or condemnation payments in respect of an Item of Equipment suffering an Event of Loss, the Lessor shall, subject to the Lessee's having made payment of the Rental and Stipulated Loss Value, as herein defined, in respect of such Item of Equipment and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Stipulated Loss Value with respect to an Item of Equipment paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice

or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of an Item of Equipment not suffering an Event of Loss shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Item of Equipment in respect of which such proceeds were paid has been fully repaired so as to comply with Section 8 of this Lease.

13. Stipulated Loss Value, Risk, Event of Loss, Condemnation
For the purposes of this Lease, the stipulated loss value (the "Stipulated Loss Value") for an Item of Equipment as of any date of computation shall be the product of (x) the Cost paid by the Lessor for such Item of Equipment and (y) that Stipulated Loss Value percentage set forth in the Schedule of Stipulated Loss Values attached hereto as Schedule "B" and hereby made a part hereof opposite the applicable Rental Payment Date with respect to such Item of Equipment.

(a) Risk: Commencing on the Interim Lease Commencement Date and continuing until the expiration of the Term of this Lease (which includes the storage period as provided for in Sections 15 and 18) and the return by the Lessee of the Equipment to the Lessor pursuant to the provisions hereof, Lessee assumes the entire risk of any Event of Loss (as defined below) and no such Event of Loss shall relieve the Lessee of any of its obligations hereunder.

(b) Definition - Event of Loss: For purposes of this Section an Event of Loss with respect to an Item of Equipment shall mean any of the following events: (i) the actual or constructive total loss of such Item of Equipment; or (ii) such Item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for its intended use for any reason whatsoever; or (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, such Item of Equipment (a "Condemnation") for a period of two (2) consecutive years from the date of such Condemnation or through the end of the Lease Term, whichever is less; or (iv) the termination, for any reason whatsoever, of this Lease by operation of law.

(c) Deprivation Constituting an Event of Loss: Upon the Lessee's reasonable determination that an Event of Loss has occurred, the Lessee shall pay or cause to be paid to the Lessor, on the next succeeding Rental Payment Date, in immediately available funds, the Stipulated Loss Value and the Rental then due, as applicable, for such Item of Equipment as of such Rental Payment Date. At such time as the Lessor has received the above payments and all other amounts due hereunder with respect to such Item of Equipment, the obligation of the Lessee to pay Rental hereunder with respect to such Item of Equipment shall terminate and, the Lessor will transfer to the Lessee, without recourse or warranty, "as is, where is", all of the Lessor's right, title and interest, in and to the Item of Equipment with respect to which such Event of Loss occurred.

(d) Deprivation Not Constituting an Event of Loss: In the event of damage to any Item of Equipment not constituting an Event of Loss, the Lessee shall remain obligated to make all payments of Rental and other amounts due with respect to such Item of Equipment which may become due hereunder in the same manner as if such damage had not occurred. The Lessee shall, within a reasonable period of time, repair and restore such Item of Equipment with new and unused components or with used components equivalent to those replaced prior to such damage to the condition it was in immediately prior to the occurrence which caused the need for such repair or restoration (assuming such Item of Equipment was maintained in accordance with the terms of this Lease). So long as no Event of Default shall have occurred and be continuing, all payments from insurance proceeds or otherwise with respect to any such damage shall be used to reimburse the Lessee for its out-of-pocket expenses upon receipt by the Lessor of satisfactory evidence that the Lessee has repaired such Item of Equipment. Should an Event of Default have occurred and be continuing, all such payments shall be paid over to and retained by the Lessor until such Event of Default has been cured or waived.

(e) The Lessor hereby appoints the Lessee its agent and Lessee hereby agrees to act as agent to dispose of any Item of Equipment suffering an Event of Loss, or any component thereof, at the best price obtainable on an "as is, where is" basis

and the Lessee shall notify the Lessor prior to any such sale; provided, however, that if an Event of Default has occurred and is continuing, Lessor may revoke such agency. Provided that the Lessee has previously paid the Stipulated Loss Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Stipulated Loss Value of such Item of Equipment plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee will initially pay all costs and expenses in connection with the sale of any Item of Equipment pursuant to an Event of Loss.

14. Indemnity. The Lessee agrees to defend at its own cost and to indemnify and hold harmless the Lessor, its successors and assigns, and their respective agents and employees, from and against any and all losses, claims, costs, expenses, (including attorneys' fees) damages and liabilities (including those for strict liability in tort), however caused by or resulting directly or indirectly in any manner from: patent infringements, assignment of the Lessee's purchase order or agreement to purchase; the Lessee's failure, delay or refusal to accept delivery; the lease, ownership, purchase, possession, return, disposition, use, condition (including without limitation latent or other defects whether or not discoverable) or operation of the

Equipment; or the performance of this Lease (including without limitation such losses, claims, costs, expenses, damages and liabilities arising from the death or injury to agents or employees of the Lessee or the Lessor or any third person, or damage to the property of the Lessee or the Lessor, their agents or employees, or any third person) except for such damages, losses, expenses or liabilities arising out of the gross negligence or willful misconduct of the Lessor, its agents or employees.

This indemnification shall survive the expiration or other termination of this Lease and is for the benefit of and is enforceable by the Lessor, its successors and assigns, and their respective agents and employees.

Notwithstanding anything contained in this Lease to the contrary, the Lessee expressly does not assume any liabilities or obligations, nor shall the Lessee be required to pay, satisfy or discharge any claims, liens, charges or encumbrances, nor shall Lessee have any obligation to indemnify and save harmless the Lessor or any other person from and against any claim (except a claim arising out of a delay or refusal to accept delivery), lien, charge or encumbrance if such claim (except a claim arising out of a delay or refusal to accept delivery), lien, charge or encumbrance arose out of or in connection with events which occur after redelivery to the Lessor or arose primarily out of, or relates primarily to, any failure of the Lessor or any successor

to perform its obligations under this Lease or any claim asserted by any person having an interest in or claim against the Lessor not arising out of the Lessee's or any sublessee's use, possession, operation or disposition of the Equipment.

15. Purchase Option and Return of Equipment. Provided that no Event of Default or event which with the passage of time or giving of notice would constitute an Event of Default shall have occurred and be continuing hereunder, upon one hundred eighty (180) days delivered written notice, (i) prior to the expiration of the Base Lease Term or a Renewal Term, the Lessee shall have the right to purchase not less than all of the Equipment at a price equal to the Fair Market Sales Value "as is, where is" and (ii) prior to the expiration of the Base Lease Term, the Lessee shall have the right to renew the Lease for not less than all of the Equipment at Fair Market Rental Value for two consecutive terms of one year each ending with the ninth and tenth anniversaries of the Lease. For purposes of this Lease, Fair Market Sales Value and Fair Market Rental Value shall mean that sales value or rental which would be obtained in an arms length transaction between informed and willing parties (other than a lessee in possession) and shall exclude the value of additions to the units made at Lessee's expense which are removable by Lessee. In the absence of agreement by Lessee and/or Lessor on the sales or rental value, such amount shall be determined as follows: the Lessor and the Lessee shall each appoint, at their own expense, a

qualified independent appraiser on or before fifteen (15) days after written notice from either to the other invoking this procedure, and the two appraisers so appointed shall, within fifteen (15) days after their appointment, appoint a third qualified independent appraiser. Such appraisers shall be instructed to make a determination of the Fair Market Sales Value or the Fair Market Rental Value within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The expenses and fees of the third appraiser shall be borne equally by the Lessee and the Lessor. The values determined by each of the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, and the remaining two determinations shall be averaged and such average shall be final and binding on the parties.

Upon the expiration of this Lease or termination of this Lease other than through an Event of Default with respect to the Items of Equipment, the Lessee, at its own risk and expense, will return such Items of Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions to not more than three (3) locations on the Lessee's lines of railroad designated by the Lessor and approved by the Lessee (such approval not to be unreasonably withheld) within thirty (30) days following receipt of the Lessor's instructions; such Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens,

security interest, charges, encumbrances and claims; provided however, Lessee has no responsibility to clear any mortgages, liens, security interests, charges, encumbrances or claims created by, through or under the Lessor or its successors or assigns. Upon return of each Item of Equipment, if the Lessor shall so require, the Lessee will provide, at its risk, free storage and insurance for such Item for a period not exceeding one hundred twenty (120) days from the last day of any Term therefor. At the expiration of the one hundred twenty (120) day storage period, the Lessor will pay to the Lessee for storage a reasonable daily storage rate for each Item of Equipment being so stored beginning the first day after such one hundred twenty (120) day storage period and the Lessor shall use its best efforts to remove such stored Equipment from the Lessee's premises as soon as possible.

At the time of the return of such Equipment upon the expiration of this Lease or termination of this Lease other than through an Event of Default, there shall be a joint inspection of each Item of Equipment by representatives of both the Lessor and the Lessee and if the parties cannot agree as to compliance with the conditions hereinafter described, a mutually acceptable independent appraiser shall be appointed by the Lessor to inspect each Item of Equipment in dispute for the purpose of determining the repairs, additions or replacements, if any, which are necessary to place each such Item of Equipment in dispute in the

condition hereinafter described. The cost of such independent appraisal shall be born equally by the Lessor and the Lessee.

At the time of return, the Item(s) of Equipment shall be in the condition and state of repair required to be maintained under Section 8 hereof.

The Lessee shall be solely responsible for paying for all repairs, replacements and additions required as a consequence of such inspection; which repairs, replacements and additions shall be effectuated as quickly as possible.

Notwithstanding anything to the contrary contained herein, commencing on the expiration of the Lease Term and throughout the Lessor's one hundred twenty (120) day storage period the Lessee shall provide the Lessor, or any person designated by it, reasonable access to such Equipment and will allow the Lessor to display the Equipment to any authorized representative or representatives of prospective purchasers or lessees of such Equipment, so long as the Lessor, and designated person, such representative, such purchaser or such lessee shall prior to such access satisfy the same inspection requirements required of Lessor in the first paragraph of Section 10 hereof. The return, removal, delivery, storage and transporting of the Equipment as provided, in this Lease, including without limitation, this Section 15 and Section 16, are of the essence of the Lease, and upon application to any court of equity having jurisdiction in

the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

16. Default, Remedies, Damages.

(a) Defaults: The following events shall constitute Events of Default:

(1) The Lessee shall fail to make any payment to the Lessor when due under this Lease and such failure to pay shall continue for a period of five (5) or more Business Days after such payment was due; or

(2) The Lessee shall fail to perform or observe any other material covenant, condition, or agreement to be performed or observed by it hereunder and such failure shall continue unremedied for a period of thirty (30) days after Lessee's receipt of written notice from the Lessor; or

(3) Any material representation or warranty made by the Lessee herein or in any document or certificate furnished the Lessor in connection herewith shall prove to be false in any respect at the time it was made and such representation or warranty shall continue to be false at the time notice thereof is given from Lessor to Lessee and Lessee fails to remedy all material damages incurred by Lessor primarily as a result of such misrepresentation within thirty (30) days after receipt of such written notice; or

(4) Lessee shall consent to the appointment of or taking possession by a receiver, assignee, custodian, sequestrator, trustee or liquidator (or other similar official) of itself or of substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they become due, or shall make a general assignment for the benefit of its creditors, or Lessee shall voluntarily commence any proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law or shall consent to the entry of an order for relief in an involuntary case under any such law or Lessee shall file in bankruptcy an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or otherwise seek relief under the provisions of any now existing or future Federal or State bankruptcy, insolvency or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(5) An order, judgment or decree shall be entered against Lessee by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, assignee, custodian, sequestrator, trustee, or liquidator (or other similar official) of Lessee or of any substantial part of its property, or granting

any other relief in respect of Lessee or its debts under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, as now or hereafter constituted and any such order, judgment or decree shall remain in force undismissed, unstayed or unvacated for a period of sixty (60) days after the date of entry thereof, or

(6) A decree or order for relief in respect of the Lessee shall be entered by a court of competent jurisdiction in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, as now or hereafter constituted, and such decree or order shall remain unstayed in effect for a period of sixty (60) days, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of sixty (60) days.

(b) Remedies: Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor, at its option, may, in addition to any other rights it may have under the law, (i) proceed by

appropriate court action(s) to enforce performance by Lessee or to recover from Lessee any and all damages and expenses which Lessor shall have sustained by reason of Lessee's default or on account of Lessor's enforcement of its remedies hereunder, (ii) terminate Lessee's rights hereunder, and/or (iii) take possession of all Items of Equipment (damages occasioned by such taking of possession are hereby expressly waived by Lessee), and thereupon Lessee's right to the possession thereof shall terminate; provided, however, it is understood and agreed that Lessor's taking possession of the Items of Equipment shall neither terminate this Lease nor discharge Lessee's obligations and duties hereunder and Lessee's obligation to pay Lessor its damages as hereinafter defined. In the event of any repossession, Lessor shall make reasonable efforts to either lease the Items of Equipment or any portion thereof for such period, at such rental and to such person as Lessor shall elect or sell the Items of Equipment or any portion thereof at public or private sale without demand or notice of intention to sell or of sale to Lessee and with or without having the Items of Equipment at the place of sale or retain the Items of Equipment or any part thereof without leasing or otherwise disposing of the Items of Equipment. If any Item of Equipment is leased, sold or otherwise disposed of pursuant hereto, Lessee shall be liable to Lessor, as liquidated damages for the breach of this Lease (but not as penalty), for the amount by which the proceeds of such

lease (all future rental payments thereof discounted to the specific payment date to their present value at the rate of 9% per annum), sale or other disposition is less than the sum of the following, to the extent not otherwise paid pursuant to another provision hereof: (i) all due, unpaid and accrued Rentals for such Item of Equipment as of the date of the Event of Default, (ii) the Stipulated Loss Value thereof as of the date of the Event of Default, (iii) an amount equal to accrued Indemnified Taxes and other amounts payable hereunder by Lessee with respect to such Item of Equipment, (iv) all costs, expenses, losses and damages incurred or sustained by Lessor by reason of such default, and (v) interest at the Overdue Rate on each of the foregoing and on all sums not paid when due under any provision of this Lease. For any Item of Equipment for which Lessee has not made a payment to Lessor pursuant to the immediately preceding sentence, if on the date of such termination or repossession, there be an Event of Loss with respect to any Item of Equipment or be subject to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency, Lessee shall remain liable for the Stipulated Loss Value of such Item of Equipment, less the amount of any insurance recovery received by Lessor in connection therewith. However, if any Item of Equipment is sold and the Lessor receives proceeds therefrom, the Lessee shall be entitled to such proceeds up to the amount of the Stipulated Loss Value for such Item of

Equipment if its Stipulated Loss Value was used in calculating a deficiency in clauses (i) through (iv) or otherwise paid by the Lessee to the Lessor pursuant to the terms of this Lease. All rights and remedies of Lessor conferred on Lessor by this Lease or by law shall be cumulative and in addition to every other right and remedy available to Lessor. No failure on the part of Lessor to exercise and no delay in exercising any right or remedy hereunder shall operate as a waiver thereof unless specifically waived by Lessor in writing, nor shall any single or partial exercise by Lessor of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy.

(c) LESSEE HEREBY VOLUNTARILY AND KNOWINGLY WAIVES, TO THE EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS TO NOTICE AND/OR HEARING PRIOR TO ANY RETAKING OF POSSESSION OR REPLEVY OF THE ITEMS OF EQUIPMENT BY LESSOR, ITS AGENTS OR ASSIGNS ON DEFAULT OF LESSEE, AND FOR THIS PURPOSE LESSOR MAY, AS FAR AS LESSEE CAN GIVE AUTHORITY THEREFOR, ENTER UPON ANY PREMISES ON WHICH THE ITEMS OF EQUIPMENT MAY THEN BE SITUATED AND REMOVE THE SAME THEREFROM.

(d) If Lessor incurs any expenses including attorneys' fees, in the enforcement of any of its rights hereunder without having brought any action, proceeding or suit to enforce any such right, or if Lessor shall bring any action, proceeding or suit and shall be entitled to judgment, then Lessor may recover from

Lessee such reasonable expenses so incurred. Should Lessor be in default hereunder as to any one Item of Equipment, Lessee may not because of such default, terminate this Lease as to any other Item of Equipment. Promptly after Lessee has notice thereof, Lessee shall give notice to Lessor of any Event of Default and any event that has occurred and is continuing which constitutes an Event of Default but for the requirement that notice be given or time elapse or both.

(e) The Lessee hereby appoints the Lessor, the Lessee's irrevocable agent and attorney-in-fact to execute all documents deemed necessary to release, terminate and void the Lessee's interest in the Equipment and to file said documents for recordation with appropriate agencies provided that an Event of Default has occurred and the Lessor in its discretion deems use of this agency necessary to effect any remedy the Lessor chooses to take.

(f) If the Lessor or any assignee of the Lessor, pursuant to this Section, shall terminate this Lease, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of the Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(1) Forthwith place such Equipment in such reasonable storage place(s) on Lessee's lines as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(2) Permit the Lessor to store such Equipment in such reasonable storage place(s) on the Lessee's lines of railroad without charge for insurance, rent or storage until 120 days after notice from the Lessee that all of the Equipment has been placed in storage; and

(3) Transport the Equipment to any reasonable place on Lessee's lines, all as the Lessor may direct in writing.

17. Assignment by Lessee. The Lessee shall not transfer, assign, pledge or hypothecate this Lease, the Equipment or any part thereof or any interest therein, without the prior written consent of the Lessor except that, subject to the net worth limitation below, Lessee may assign or transfer its interest in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed in writing satisfactory to the Lessor the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a surety. The Lessee agrees to give the Lessor prior written

notice of any such merger, consolidation or acquisition. Consent to any of the foregoing acts shall not be deemed to be consent to any subsequent similar act.

18. Assignment by Lessor. Lessee acknowledges and understands that the terms and conditions of this Lease have been fixed by Lessor in anticipation of its being able to assign and/or sell ("Transfer") its interest under this Lease and in and to the Equipment in whole or in part to a third party subject to the terms of this Lease and the rights of the Lessee hereunder, which assignee and/or purchaser ("Transferee") will rely on and be entitled to the benefit of the provisions of this Section, and upon any such Transfer. Lessee agrees with Lessor and with such potential Transferees to, upon receipt of written notice of any such Transfer, recognize any such Transfer subject to the terms of this Lease and the rights of the Lessee hereunder, to accept the reasonable directions or reasonable demands of such Transferee in place of those of Lessor, subject to the terms of this Lease and the rights of the Lessee hereunder to the extent so directed by Lessor to surrender Items of Equipment only to such Transferee as so directed, to pay all Rentals and the sums payable hereunder and to do any and all things required of Lessee hereunder and not to terminate this Lease, notwithstanding any default by Lessor or the existence of any offset as between Lessor and Lessee or the existence of any other liability or obligation of any kind or character on the part of Lessor to

Lessee whether or not arising hereunder, and not to require any such Transferee to perform any duty, covenant or condition required to be performed by Lessor hereunder, all rights of Lessee in any such instance being hereby waived as to any and all of such Transferees. Notwithstanding anything to the contrary herein, upon any such Transfer, Lessor shall not be relieved of any of its obligations to Lessee hereunder.

19. Liens. Except as otherwise expressly permitted in this Lease, the Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance, security interest, right or claim of any kind ("Lien") on, or with respect to, any Item of Equipment, title thereto or any interest therein, except:

(i) the respective rights of the Lessor and the Lessee under the Lease;

(ii) Liens which result from claims against or acts of the Lessor not related to its interest in the Equipment;

(iii) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Item or Equipment or any interest therein;

(iv) inchoate materialmen's, mechanics', workmen's, repairmen's employees' or other like Liens arising in the ordinary course of business and securing obligations which are not delinquent, or which are being contested by the Lessee in good

faith and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of such Item of Equipment or any interest therein; and

(v) liens granted by Lessor to any assignee or security assignee of Lessor in connection with any financing obtained by Lessor in respect of its acquisition of the Equipment.

Nothing in this Section 19 shall be deemed to prohibit any lien attaching only to the leasehold interest of the Lessee under this Lease by reason of any future mortgage under which the Lessee is the mortgagor covering all or substantially all of the Lessee's railroad properties or the existence of any after acquired property clause in any existing mortgage to which the Lessee is the mortgagor covering all or substantially all of the Lessee's railroad properties.

The Lessee will promptly notify the Lessor in writing of the existence of any Lien not excepted above, if the same shall arise at any time, and will promptly, at the Lessee's expense, cause any such Lien to be duly discharged, dismissed and removed or fully bonded as soon as possible, but in any event within thirty (30) days after the existence of the same shall have first become known to the Lessee unless the Lessee shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger title and interest of the Lessor in the Equipment.

20. Prohibition Against Setoff, Counterclaim, Etc. The Lessee's obligation to pay all amounts due hereunder shall be absolute and unconditional and shall not be affected by any circumstance whatever, including, without limitation (i) any setoff, counterclaim, defense, or other right which the Lessee may have against the Lessor, (ii) any defect in the title, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Equipment, or any interruption or cessation in the use of possession thereof by the Lessee except for any such interruption or cessation in such use or possession caused by the gross negligence or intentional misconduct of the Lessor for any reason whatsoever, or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Lessee or the Lessor.

21. Representations, Warranties and Covenants of Lessee. Lessee represents, warrants and covenants: (i) that it is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware with necessary power and qualifications to perform this Lease, (ii) that this Lease has been duly authorized by all necessary corporate action on the part of the Lessee and will not contravene or breach any legal, organizational or contractual regulation binding upon the Lessee, (iii) that this Lease constitutes valid, binding and enforceable obligations of the Lessee and is enforceable in accordance with its terms, (iv) except as reflected in the annual report of the

Lessee to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 1985 and the Litigation Memorandum dated June 6, 1986, copies of which have been delivered to the Lessor, there are as of the date hereof (a) no actions at law or in equity pending which, if determined adversely, would result in any material adverse change in the Lessee's ability to carry out its obligations under this Lease; and (b) no proceedings of any kind or nature pending before a federal or state board or other administrative authority or agency which would result in any material adverse change in the Lessee's ability to carry out its obligations under this Lease, (v) that all financial statements that have heretofore been presented by or on behalf of Lessee to Lessor in conjunction with this transaction, are true and correct as of the date thereof or the period reflected therein and as of the date thereof or the period reflected therein present fairly the financial condition and results of operations of the subject of such statements and do not contain any untrue statement or omission of a material fact, and that, as of the date hereof, no material adverse change in the Lessee's financial condition as represented in its most recent financial statements dated as of December 31, 1985 and submitted to the Lessor has occurred, (vi) prior to the delivery and acceptance of any Item of Equipment under this Lease, this Lease will have been duly filed with the Interstate Commerce Commission pursuant to Section 11303 of Title 49 of the United

States Code (49 U.S.C. Section 11303) if required thereunder and prior to the delivery and acceptance of any Item of Equipment under this Lease, an appropriate Uniform Commercial Code financing statement covering the Equipment will have been filed with the Secretary of State of the State of Illinois, (vii) Lessee shall promptly notify Lessor of any change in its name and of any material change in any material representation or warranty made by Lessee hereunder throughout the term of this Lease and shall furthermore promptly notify Lessor of any Event of Default or event which with the passage of time or the giving of notice would become an Event of Default, and (viii) that no consent or approval of, giving of notice to, registration with, or taking of any action in respect of or by, any Federal, state or local governmental authority, commission or agency is presently required with respect to the execution, delivery or performance by the Lessee of this Lease.

22. Early Termination Of Lease. So long as no Event of Default shall have occurred and be continuing, if at any time after the Lease has commenced as to the Equipment, the Equipment shall become surplus or no longer suited to Lessee's reasonable business requirements, then on satisfactory proof thereof to Lessor and on 90 days' prior written notice to Lessor, Lessee shall have the option to terminate the Lease with respect to so much of such obsolete Equipment as shall represent no more than 10% of the Lessor's Cost for all of the Equipment, in which event

Lessor shall have the option, as determined in the sole discretion of Lessor, either to require Lessee to pay to Lessor 104% of the Stipulated Loss Value thereof in effect at the time of such termination or the then fair market value of the Equipment so terminated, whichever is greater, whereupon Lessor shall immediately thereafter transfer title to the Items of Equipment so terminated to Lessee; provided, however, that the tax treatment of the lease arrangements as herein provided shall not be altered or affected in any way by such early termination.

23. Warranties of Lessor. The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Equipment shall not be interrupted by any act of the Lessor. The Lessor further warrants and represents that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and not an electing small business corporation under Subchapter S of the Code, that this Lease has been duly authorized, executed and delivered by the Lessor and, assuming due authorization, execution and delivery hereof by the Lessee, constitutes the legal, valid and binding obligation of the Lessor, enforceable against the Lessor in accordance with its terms except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors or lessors generally, and that the Lessor is not entering into this Lease or any other transaction contemplated

hereby directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest within the meaning of the Employee Retirement Income Security Act of 1974. Lessor further warrants that, except to the extent Lessor is permitted to assign hereunder, throughout the term of this Lease it shall be the sole owner of the Equipment.

24. Fees and Expenses. Except as otherwise provided in Section 27, all fees and expenses, including legal fees incident to the preparation and execution of this Lease and the closings hereunder, shall be payable by the party generating said fees or expenses.

25. Notices. All notices required or permitted under the terms and provisions hereof shall be in writing and addressed (i) if to the Lessee: Chicago and North Western Transportation Company, One North Western Center, 165 North Canal Street, Chicago, Illinois 60606, Attention: Assistant Vice President-Finance or at such other address as the Lessee shall from time to time designate in writing to the Lessor, or (ii) if to Lessor: Greyhound Leasing & Financial Corporation, Greyhound Tower, Phoenix, Arizona 85077, Attention: Vice President, Risk Manager - Commercial Finance (or at such other address as the Lessor shall from time to time designate in writing to the Lessee). All notices shall be deemed received three days after the postmark

date on registered or certified mail or one day after the mailing date on express overnight deliveries.

26. Conditions Precedent. (a) The obligations of the Lessor to purchase and lease each Item of Equipment is subject to the fulfillment of the following conditions precedent with respect to each such Item of Equipment at Lessee's sole cost and expense and, for those documents for which forms are not attached, in form and substance satisfactory to Lessor in its reasonable discretion:

(1) The completion of all necessary regulatory approvals and filings on or before each Interim Lease Commencement Date, including, without limitation, the filing of appropriate Uniform Commercial Code financing statements;

(2) The representations and warranties of the Lessee set forth in Section 21 shall be true and correct in all material respects on and as of each Interim Lease Commencement Date;

(3) As of each Interim Lease Commencement Date no Event of Default or other event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing (see Exhibit "F");

(4) The Lessor shall have received for each Item of Equipment on or before the applicable Closing Date for each such Item of Equipment a Certificate of Inspection and

Acceptance of the Lessee dated as of the applicable Interim Lease Commencement Date for such Item of Equipment to the effect that the Lessee has satisfied or complied with all delivery and acceptance requirements set forth in this Lease to be satisfied or complied with on or prior to such Interim Lease Commencement Date;

(5) The Lessor shall have received an opinion, addressed to the Lessor, of the Lessee's Counsel dated as of the applicable Closing Date for the Item(s) of Equipment to be paid for by Lessor on such Closing Date (subject to the usual bankruptcy laws exceptions), to the effect set forth in Items (i) through (iv) both inclusive and (vi), of Section 21 and to the further effect, if any, set forth in Exhibit "D" hereof;

(6) The Lessor shall have received for each Item of Equipment on or before the applicable Closing Date for such Item of Equipment a Bill of Sale in the form of Exhibit B hereto from the Vendor of each such Item of Equipment conveying good and valid title thereto to the Lessor and an opinion of counsel for the Vendor in the form of Exhibit C hereto in support of such Bill of Sale.

(7) The Lessor shall have received Evidence of Insurance on or before the first Interim Lease Commencement Date evidencing to the satisfaction of the Lessor compliance with the terms of Section 12;

(8) The Lessor shall have received on or before the first Interim Lease Commencement Date appropriate evidence satisfactory in form and content to Lessor, of authorization by Lessee of its execution, delivery and performance of this Lease, the purchase orders or purchase agreements to which the Lessee is a party and all other agreements entered into by the Lessee in connection with the transaction contemplated hereby and of the incumbency and signatures of the officers authorized to execute the same on behalf of the Lessee;

(9) The Lessor shall have received for the Equipment on or before each Interim Lease Commencement Date a certificate of useful life and residual value signed by an authorized officer of the Lessee in the form of Exhibit "G" hereto.

(10) On or before the first Interim Lease Commencement Date, the Lessor shall have received or waived the necessity for a tax opinion of tax counsel for the Lessor satisfactory to the Lessor.

(11) On or before each Closing Date, Lessee shall have delivered or caused to be delivered to Lessor such other agreements, certificates or other instruments in writing as Lessor may reasonably require.

27. Miscellaneous. This Lease shall in all respect be governed by and construed in accordance with the laws of the State of Illinois including all matters of construction, validity, effect and performance.

No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach or default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default; nor shall consent by the Lessor to any act of the Lessee be deemed to be consent to any subsequent similar act.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision of this Lease prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in any Item of Equipment except as a lessee only.

28. Recording, Registration and Filing. The Lessee shall, at its expense, accomplish all recordings, registrations and filings of this Lease, financing statements and such other documents as may be required by law to protect the Lessor's title and interests in the Equipment, and shall furnish the Lessor with evidence reasonably satisfactory to the Lessor of each such recording, registration and filing. Lessor shall perform all filings for which it assumes responsibility in an expeditious manner. The Lessee shall promptly on demand reimburse Lessor for its reasonable out of pocket expenses incurred by Lessor with respect to any such recording, registration and filing.

29. Tax Indemnity. The Lessee hereby represents to the Lessor (such term for the purpose of this Section 28 meaning the Lessor and the corporations with which the Lessor consolidates its United States federal income tax returns) that at the time the Lessor becomes the owner of the Equipment for Federal, state and local income tax purposes:

(1) all of the Equipment is new Section 38 property, eligible for investment tax credit;

(2) all of the Equipment is five (5) year recovery property as defined in Section 168(c)(2)(B) of the Internal Revenue Code of 1954 (the "Code");

(3) the Lessor's basis in the Equipment prior to any basis reduction through Section 48(q)(1) of the Code is at least equal to the total Cost of the Equipment plus all other items includible in basis under Section 1012 of the Code, if any;

(4) each Item of Equipment was placed in service on the applicable Interim Lease Commencement Date;

(5) each Item of Equipment will be used in the United States as part of the normal business operations of the Lessee except as otherwise permitted by Section 6 hereto;

(6) no Item of Equipment is or will become during the Term, "tax exempt use property" within the meaning of Section 168(j)(3) of the Code;

(7) the Term, including any interim period, with respect to any Item of Equipment is not in excess of eighty percent (80%) of the estimated useful life of such Item of Equipment; and

(8) a reasonable estimate of the fair market value of each Item of Equipment to Lessor at the end of the Term with respect to such Item of Equipment, without including in such value any increase or decrease for inflation or deflation during such Term and after subtracting any costs of delivery of possession of such Item of Equipment to Lessor, is at least equal to twenty percent (20%) of Lessor's Cost of such Item of Equipment.

The Lessee covenants to the Lessor and agrees that subject to the exclusions as hereinafter provided in this Section 28 and until the Equipment is returned to Lessor pursuant to the terms of the Lease or the Lessee has purchased the Equipment in accordance herewith:

(1) it will characterize the relationship herein established as a lease and will treat it as such for all purposes;

(2) The Lessor shall have the right to utilize and to claim the investment tax credit ("Investment Tax Credit") and the accelerated cost recovery deductions provided by Section 168 of the Code ("ACRS Deductions") on the Equipment (but only to the extent such provisions are effective as Federal tax law on the date of delivery of the Equipment) in the computation of Federal tax returns and reports for each year during the Term of this Lease;

(3) it shall not, and shall not permit any other person or entity claiming through or under the Lessee to, utilize or claim or attempt to utilize or claim the Investment Tax Credit or ACRS Deductions for any purposes whatsoever;

(4) it will, and will not permit any other person or entity claiming through or under Lessee to, neither take any action, nor fail to take any action, which will have the result of disqualifying the Equipment as Section 38 property within the meaning of Section 48(a) of the Code or otherwise causing the Lessor to lose or to recapture all or any part of the credits or deductions attributable to the Equipment, or its ownership thereof.

If the Lessor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Tax Credit or the ACRS Deductions or Lessor should have its income

tax liability increased as a result of (i) the sale or other disposition of an Item of Equipment pursuant to an Event of Default hereunder, (ii) the incorrectness of any representation or warranty made by Lessee hereunder, (iii) any act or omission of Lessee, or any person or entity acting (or failing to act) on behalf of or with the consent of Lessee or (iv) (A) any alteration, repair, replacement, improvement, modification or addition (collectively, "Improvements") made of or to the Equipment or (B) the requirement by the Internal Revenue Service that Lessor include in gross income all or any portion of the cost of any Improvements where such included amount is not entirely offset by a deduction for such Improvements in the same taxable period (hereinafter referred to as a "Loss"), then with respect to each Loss, the Rental applicable to each Item of Equipment shall, on and after the next succeeding Rental Payment Date, if any, after payment of the tax, penalty and interest attributable to any such Loss (or if the Lessor is not required to make payment of tax with respect to the Loss, the date on which the Lessor files its tax return for the taxable year in which such Loss occurs), be increased, by, an amount for each such Item of Equipment which, in the reasonable opinion of the Lessor, after due consultation with Lessee, will preserve for the Lessor the after-tax yield and the aggregate after-tax cash flow that would have been realized by the Lessor if such Loss had not occurred in respect of such Item of Equipment under this Lease. If the date for the payment of the tax or the date of the filing of the tax return,

as the case may be, is after the last Rental Payment Date, Lessee shall pay the lump sum amount determined by Lessor, and Lessee shall be permitted to contest the tax as hereinafter provided. Any refund with respect thereto shall belong to Lessee.

The Lessee shall not be required to indemnify the Lessor for any Loss resulting from one or more of the following causes: (a) the failure of the Lessor (unless the Lessor shall have been advised by its tax counsel that in such tax counsel's opinion there is no reasonable basis for claiming any such credit or deduction) to properly claim in a timely manner (including making all appropriate elections and filing all information returns required under the applicable income tax regulations) or to follow the proper procedure in claiming the Investment Tax Credit or the ACRS Deductions or to make a timely election, if permitted by the Code, to treat any income, gain, loss, deduction or credit with respect to an Item of Equipment as derived from, or allocable to, sources within the United States, (b) the failure of the Lessor to have sufficient liability for income taxes against which to credit the Investment Tax Credit or sufficient taxable income to benefit from the ACRS Deductions, or Lessor's election to pay any alternate minimum tax as may be in effect from time to time (c) unless resulting from an act or omission of the Lessee, a transfer or disposition by the Lessor of an Item of Equipment or any interest therein or any interest in the Rentals derived therefrom or any interest in this Agreement (except a transfer or

disposition after an Event of Default), or a transfer or other disposition of an Item of Equipment or any interest therein or any interest in the Rentals derived therefrom or any interest in this Agreement which results from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor, (d) an Event of Loss with respect to an Item of Equipment, if the Lessor shall have received the amounts stipulated in respect thereof pursuant to Section 13 hereof, (e) acts of Lessor or the failure to contest pursuant hereto by Lessor (including, without limitation, participation in, or other arrangements with any party other than Lessor involving residual values of the Equipment, but excluding Lessor's exercise of its remedies upon an Event of Default under this Agreement), (f) the failure of the Lessor to file any required tax returns except in the event that such failure is due to the Lessee's failure to provide any required information or documentation to the Lessor, (g) a Loss due to a modification in tax legislation, the Code, income tax regulations or published administrative or judicial interpretations or decisions thereunder which was not enacted on or before the termination of the 99th Congress, and/or (h) any defect in tax characteristics of the property ownership arrangements selected by the Lessor or existing for the Lessor.

Upon receipt by the Lessor of a written notification from the Internal Revenue Service of any proposed assessment or other action which would result in a Loss for which an amount in excess of \$40,000.00 may be payable by the Lessee in accordance with

this Section 28 (hereinafter called a "Disallowance"), the Lessor shall promptly notify the Lessee of such Disallowance after receipt of such written notification from the applicable taxing authority and shall contest such Disallowance in any reasonable and appropriate manner, if so requested by the Lessee. The Lessor shall be under no obligation whatsoever to contest such Disallowance unless:

- (a) the Lessee shall request the Lessor to contest such Disallowance within thirty (30) days after receipt by the Lessee of notice from the Lessor and within thirty (30) days thereafter an independent tax counsel selected by the Lessor and acceptable to the Lessee shall render a written opinion that the Lessor has a reasonable basis for contesting such Disallowance; and
- (b) the Lessee shall pay the Lessor on demand all reasonable costs and expenses, including, without limitation, legal fees and expenses, incurred by the Lessor in connection with contesting or determining to contest such Disallowance and, when due, all penalties and/or interest imposed in connection with such contest.

The Lessor, at its sole option, may choose to forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such Disallowance, but shall contest the Disallowance in a court of competent jurisdiction which court shall be selected by the Lessor at its

sole option and shall appeal any adverse determination upon receipt of the written request of the Lessee and the written opinion of independent tax counsel selected by Lessor and acceptable to Lessee that it is more likely than not that such appeal will be successful; provided, however, that nothing contained in this paragraph shall require the Lessor to contest any Disallowance if the Lessor shall waive the payment by the Lessee of any amount that might otherwise be payable by the Lessee under this Section 28 by way of indemnity in respect of such Disallowance.

At all stages of any contest of a Disallowance, the Lessor shall pursue the contest by any proceedings available under applicable law, regulations or court rules which in its sole discretion it determines to pursue, and shall determine in its sole discretion whether (a) to petition for a redetermination of the deficiency proposed to be assessed as a result of the Disallowance or (b) to pay the deficiency and institute an action in a court of competent jurisdiction for a refund of taxes paid, in which case the Lessee shall pay the amount of such deficiency by adjusting the Rentals in such a manner as to allow the Lessor, in its reasonable opinion, to maintain its anticipated after-tax rate of return and present value of the net after-tax cash flow as provided in Section 3 hereof. The Lessee may engage counsel to assist counsel of the Lessor in conducting such contest, as the Lessor in its sole discretion shall determine, it being agreed that the ultimate control of any such contest shall be in the sole discretion of the Lessor.

The Lessor shall not enter into a settlement or other compromise with respect to any Disallowance without the prior written consent of the Lessee, unless the Lessor shall waive its right to be indemnified with respect to such Disallowance under this Section 28.

The liability of the Lessee for any adjustments to Rental hereunder due to a Disallowance shall become fixed upon "final determination" of the liability of the Lessor. "Final determination" shall mean an adverse determination by a United States Circuit Court of Appeals or the written agreement of the Lessee and Lessor. Notwithstanding the foregoing, in the event that a tax contest is proceeding at the termination of this Lease, Lessee shall pay Lessor any amount which Lessee would be required to pay hereunder if such contest failed. Lessor shall, if such contest ultimately succeeds, refund any such amount at such later date.

If at any time a contest hereunder ultimately succeeds before termination of this Lease, Lessor shall refund to Lessee all amounts paid to Lessor through the rental adjustments provided for herein with respect to such contest.

The indemnification provided herein shall survive the expiration or other termination of the Lease.

30. General Assignment of Purchase Orders and/or Agreements. The Lessor and the Lessee shall enter into a Purchase Agreement Assignment dated as of the date hereof (herein called the "Assignment"), in substantially the form of Exhibit "E" hereto, pursuant to which the Lessee assigns to Lessor its rights under various purchase orders and/or agreements to acquire the Equipment.

31. Lessor's Assignment of Rights Against Vendor. Upon the request of Lessee, Lessor shall, to the extent the same are assignable, in a form to Lessee's reasonable satisfaction assign to Lessee, without recourse, all of its rights against the Vendor with respect to any representation or warranty made by the Vendor with respect to the Equipment.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their duly authorized officers on the day and year first written above.

LESSOR: GREYHOUND LEASING &
FINANCIAL CORPORATION

LESSEE: CHICAGO AND NORTH
WESTERN TRANSPORTATION
COMPANY

By: 

By: 

Its: V.P. - COMMERCIAL FINANCE

Its: vice president - finance

[Corporate Seal]

[Corporate Seal]

ATTEST:

ATTEST:

By: 
Assistant Secretary


Assistant Secretary

L57-1

(STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

On this 16th day of June, 1986, before me personally appeared T. A. Tingleff, to me personally known who signed the foregoing instrument on this day and, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Javier P. Delgado
Notary Public

[Notarial Seal]

My Commission expires: My Commission Expires Mar. 3, 1990

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

On this 23rd day of June, 1986, before me personally appeared R.L. DAUPHINAIS, to me personally known, who signed the foregoing instrument on this day and, being by me duly sworn says that he/she is a V.P. - COMMERCIAL FINANCE of GREYHOUND LEASING & FINANCIAL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Linda B. Dickinson
Notary Public

[Notarial Seal]

My Commission expires:

My Commission Expires Mar. 26, 1989

SCHEDULE "A"

EQUIPMENT TO BE LEASED FROM
GREYHOUND LEASING & FINANCIAL CORPORATION

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Description¹</u>	<u>CNW Road Numbers</u>	<u>Estimated Cost²</u>
5	Kershaw Model 26-2 Ballast Regulators	17-4093 17-4094 17-4095 17-4096 17-4097	\$425,000
4	Tamper Model ECTR 130 AG Mark III Truss Production Tampers	17-4070 17-4071 17-4072 17-4073	840,000
5	Tamper Model ES Mark II Secondary Tampers	17-4074 17-4075 17-4076 17-4077 17-4078	540,000
1	Nordberg Model Super B Hydra Spiker with Gauger	17-4113	105,000
2	Fairmont Model W-96(C-1) Production Spike Setter Driver	17-4118 17-4119	200,000
2	Nordberg Model Tie-X One Piece Tie Remover and Insertor	17-4100 17-4101	220,000
1	Evans RTW Model 2181-A Tie Crane	17-4098	50,000
1	Kershaw Model 12-4 Tie Crane	17-4099	50,000
4	Nordberg Grabber Spike Pullers	17-4106 17-4107 17-4108 17-4109	200,000
1	Kershaw Model 29-3 Yard Cleaner	17-4092	225,000
2	Nordberg Model A Ride-On Adzer	17-4111 17-4112	91,000
1	Omark Hydro Ax Model 520 Off Track Brushcutter	17-4123	121,000

SCHEDULE "A"

Description of Equipment (Cont'd)

<u>Quantity</u>	<u>Description¹</u>	<u>CNW Road Numbers</u>	<u>Estimated Cost²</u>
1	Bombardier Muskeg Crawler Carrier with Telelect Telc-01 Model 10 Derrick and Telelect 2570 & 2575 Earth Augers	17-4124	110,000
3	Little Giant Model 32R Hy-rail Truck Crane	17-4089 17-4090 17-4091	540,000
4	Rexnord Model E-Z Lift Plate Placer	17-4102 17-4103 17-4104 17-4105	36,000
2	Teleweld Model GA-1 Rail Heater	17-4079 17-4080	142,000
3	Ingersoll Rand Model P175WD Portable Air Compressor	17-4120 17-4121 17-4122	45,000
6	Whiting Trackmobile Model 95TM Car Mover	17-4114 17-4115 17-4116 17-4117 17-4136 17-4137	780,000
8	Evans RTW Model MT-31 Parts Trailer	17-4081 17-4082 17-4083 17-4084 17-4085 17-4086 17-4087 17-4088	80,000
2	J. I. Case Model 1150D Crawler Dozers	17-4131 17-4132	140,000
2	John Deere Model 655B Crawler Loaders	17-4133 17-4134	150,000
1	Caterpillar Model 953 Crawler Loader	17-4110	85,000

SCHEDULE "A"

Description of Equipment (Cont'd)

<u>Quantity</u>	<u>Description¹</u>	<u>CNW Road Numbers</u>	<u>Estimated Cost²</u>
1	Set of Geismar Power Jack Liners complete with one MTM Model KP-1000 Ballast/Sled Plow	17-4135	40,000
6	Pettibone Model 441D Speed Swing Material Handler	17-4125 17-4126 17-4127 17-4128 17-4129 17-4130	800,000
			<hr/> <hr/> \$6,015,000

1/ Type of equipment may vary. In the event that actual equipment differs in any material respect from this listing or Lessor's reasonable assumptions with respect thereto, Lessor may adjust the base rental factors set forth in Section 3 of this Lease and the Stipulated Loss Value to account for such deviation and such adjustments shall be effective for all purposes of this Lease.

2/ Total Estimated Cost includes estimated transportation charge which will be included in the Vendor's invoice as part of the cost of an Item of Equipment.

SCHEDULE "B"

(Schedule of Stipulated Loss Values)

The Stipulated Loss Value of each Item of Equipment shall be the percentage of Lessor's Cost of such Item of Equipment set forth opposite the applicable Rental Payment Date:

<u>To and Excluding Rent Payment No.</u>	<u>Percentage of Cost</u>
1	106.09
2	106.67
3	107.09
4	103.65
5	103.75
6	103.68
7	103.45
8	99.35
9	98.79
10	98.07
11	97.19
12	92.43
13	91.22
14	89.85
15	88.31
16	82.90
17	80.33
18	77.60
19	74.71
20	67.97
21	64.87
22	61.70
23	58.45
24	55.13
25	51.74
26	48.28
27	44.74
28	41.14
29	37.46
30	33.70
31	29.88
32 and thereafter	26.00

Rentals are payable quartely in arrears and therefore the scheduled Rentals will be payable at time of payment of Stipulated Loss Values.

EXHIBIT "A"

CERTIFICATE OF INSPECTION AND ACCEPTANCE

under

EQUIPMENT LEASE dated as of June 15, 1986 (the Lease) between Greyhound Leasing & Financial Corporation, as lessor (the Lessor), and Chicago and North Western Transportation Company, as lessee (the Lessee). All terms used herein shall have the same meanings as are ascribed to them in the Lease.

The Lessee hereby certifies that each Item of Equipment set forth and described in Attachment A hereto (which Attachment includes the amount of the Lessor's Cost of each such Item) has been delivered to the location indicated in Attachment A for each such Item, tested and inspected by Lessee, found to conform to that which Lessee ordered from the Vendor and to otherwise be in good order and accepted as an Item of Equipment under the Lease, each on the date ("Acceptance Date") indicated in Attachment A for such Item.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,
as Lessee

By: _____

Title: _____

Date: _____

EXHIBIT "B"

BILL OF SALE

, a corporation,
(hereinafter called the Seller) in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations the receipt of all of which by it is hereby acknowledged, has bargained, sold, conveyed, transferred and delivered, and by these presents does hereby bargain, sell, grant, convey, transfer and deliver unto Greyhound Leasing & Financial Corporation (hereinafter called the Purchaser), the following unit(s) of Equipment:

TO HAVE AND TO HOLD the same unto the said Purchaser, its successors or assigns forever;

THE SELLER HEREBY WARRANTS to the Purchaser, its successors and assigns, that at the time of delivery of each unit of the Equipment to the Purchaser, as aforesaid, each such unit was new and unused Equipment, the Seller has legal title thereto, and good and lawful right to sell same the same, and that title to said unit was then free of all claims, liens, encumbrances and security interests of any nature, and the Seller hereby further warrants that upon such delivery and acceptance of such unit by Purchaser, or an agent of Purchaser, the Purchaser will acquire legal title thereto, free of all claims, liens, encumbrances and security interests of any nature, and the Seller covenants that it will warrant and defend such title against all claims and demands whatsoever;

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed in its name by its _____, thereunto duly authorized, and its corporate seal to be hereunto affixed and to be attested by _____, this
[Leave Blank] day of [Leave Blank], 19____.

By _____
(Signature)

CORPORATE SEAL

Attest

[To be placed on Letterhead of Counsel]

Exhibit "C"

Date [Leave Blank]

Greyhound Leasing & Financial Corporation
Greyhound Tower
Phoenix, Arizona 85077
Attention: Vice President, Risk Manager -
Commercial Finance

Gentlemen:

As counsel for _____ (the "Seller"), I am familiar with the sale to you ("Purchaser"), pursuant to the Bill of Sale dated as of _____ [Leave Blank] (the "Bill of Sale") from the Seller to you the following unit(s) of equipment (the "Equipment"):

I am of the opinion that:

1. Seller is a corporation duly organized and existing in good standing under the laws of the state of .

2. The Bill of Sale has been duly authorized, executed and delivered by the Seller, is not in conflict with the charter or by-laws of the Seller, any court or administrative decree binding upon the Seller or any agreement binding upon the Seller of which I have knowledge, and constitutes a valid, legal and binding instrument of the Seller enforceable in accordance with its terms; and

3. Such Bill of Sale is valid and effective to transfer, and does transfer, good title to the Equipment herein described to the Purchaser free and clear of all claims, liens, and encumbrances of any nature except for a security interest of the Seller in the Equipment in the amount of the invoice for such Equipment, which security interest will be fully discharged upon payment of the invoice amount.

Attorney for

, 1986

Greyhound Leasing & Financial Corporation
Greyhound Tower
Phoenix, Arizona 85077
Attention: Vice President, Risk Manager -
Commercial Finance

Gentlemen:

As counsel for Chicago and North Western Transportation Company, a Delaware corporation (the Lessee), I am familiar with the Equipment Lease Agreement dated as of June 15, 1986 (the Lease) between Greyhound Leasing & Financial Corporation (the Lessor) and the Lessee and the other documents and instruments entered into by the Lessee in connection with the transactions contemplated by the Lease (the Documents), including the General Assignment of Purchase Orders dated as of June 15, 1986 (the General Assignment of Purchase Orders) between the Lessee and the Lessor; and I have examined such corporate and other documents and records and such questions of law as I have considered necessary or appropriate for purposes of this opinion. The terms used herein, unless otherwise defined, are those used in the Lease. On the basis of such examination, I advise you that in my opinion:

(a) The Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is duly qualified to do business in each jurisdiction where its ownership or lease of property or the conduct of its business require such qualification, and has full corporate power and authority to hold property under lease and to enter into and perform its obligations under the Lease and the other documents and instruments entered into by the Lessee in connection with the transaction contemplated thereby.

(b) The execution, delivery and performance by the Lessee of the Lease and all other agreements entered into by the Lessee in connection with the transactions contemplated by the Lease have been duly authorized by all necessary corporate action on the part of the Lessee, do not contravene any law or governmental rule, regulation or order applicable to the Lessee, do not and will not contravene any provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which the Lessee is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Items of Equipment (as defined in the Lease) (except for the rights and interests of Lessor therein and except that such liens may attach to the rights and interests of the Lessee under the Lease in and to the Equipment), have been duly executed and delivered by the Lessee and, assuming the due authorization, execution and delivery thereof by each other party thereto, constitute the legal, valid and binding agreement of the Lessee, enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally).

(c) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of, any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Lessee of the agreements referred to in (a) and (b) above.

(d) There are no actions, suits or proceedings at law or in equity pending or, to my knowledge, threatened against or affecting the Lessee in any court or before any arbitrator or governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Lessee to perform its obligations under any of the Documents, except as set forth in the Lessee's Annual Report to the Securities and Exchange Commission on Form 10K for the fiscal year ended December 31, 1985 and the Litigation Memorandum dated June 6, 1986.

(e) The General Assignment of Purchase Orders is effective to convey to the Lessor the rights and claims purported to be conveyed thereby, and is effective to retain in the Lessee such rights and duties as are purported to be retained thereunder.

Greyhound Leasing & Financial Corporation
Page Three

(f) The Lease has been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303(a) of Title 49, United States Code.

(h) Registration with, approval of, filing with or other actions by or with any federal, state or other governmental commission is not required in connection with the execution and delivery of the Documents, or if so required, has been given, made or taken.

(i) The principal place of business of the Lessee (as such term is defined in the Uniform Commercial Code as enacted in the State of Illinois) is One North Western Center, 165 North Canal Street, Chicago, Illinois 60606.

Very truly yours,

Marc R. Jeske
General Attorney-Finance

GENERAL ASSIGNMENT OF PURCHASE ORDERS

THIS GENERAL ASSIGNMENT OF PURCHASE ORDERS dated as of June 15, 1986 between Chicago and North Western Transportation Company (the "Assignor") and Greyhound Leasing & Financial Corporation (the "Assignee"),

W I T N E S S E T H :

In consideration of the mutual covenants herein contained, the Assignee and the Assignor agree as follows:

1. The Assignor does hereby sell, assign, transfer and set over unto the Assignee all of the Assignor's right, title and interest in, to and under each of those Purchase Orders which the Assignor, directly or through an agent, has heretofore, or may hereafter enter into with the manufacturer with respect to any equipment which has or may become an Item of Equipment (as such term is defined in an Equipment Lease Agreement dated as of June 15, 1986, between the Assignee, as lessor, and the Assignor, as lessee, which Equipment Lease Agreement is herein referred to as the "Lease"), including, without limitation, the right to purchase and take title of each such Item of Equipment pursuant to the applicable Purchase Order.

Notwithstanding the foregoing, so long as the Assignee shall not have declared the Lease to be in default or until redelivery to the Assignee of an Item of Equipment in accordance with the Lease, the Assignee authorizes the Assignor, to the exclusion of the Assignee, to exercise in their name all rights and powers of the buyer under each Purchase Order (including, without limitation, the right to amend or terminate any such Purchase Order), except that the Assignor may not exercise any right to purchase or take title to an Item of Equipment.

2. It is expressly agreed that, anything herein contained to the contrary notwithstanding:

(a) The exercise by the Assignee of any of the rights assigned hereunder shall not release the Assignor from any of its duties or obligations to the manufacturer or seller under each such Purchase Order except to the extent that such exercise by the Assignee shall constitute performance of such duties or obligations; and

(b) The Assignee shall not have or hereafter acquire any obligation or liability under any such Purchase Order by reason of, or arising out of, this Assignment or be obligated to perform any of the obligations or duties of the Assignor under any such Purchase Order or to make any payment (other than to make the payments with respect to each Item of Equipment to the extent and upon the terms and conditions set forth in the Lease) or to make any inquiry as to the sufficiency of any payment received by any of them or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder.

3. The Assignor agrees that at any time and from time to time, upon the written request of the Assignee, the Assignor will promptly and duly execute and deliver or cause to be executed and delivered on its behalf any and all such further instruments and documents and take such further action as the Assignee may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

4. This Assignment shall be governed by, and for all purposes construed in accordance with, the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,
as Assignor

By _____
T. A. Tingleff

Title: Vice President - Finance

GREYHOUND LEASING & FINANCIAL
CORPORATION
as Assignee

By _____

Title: _____

_____ hereby (i) consents to the foregoing Assignment of the Purchase Orders, (ii) consents to the retention by the Assignor of full rights under the warranty provisions and the right to reimbursement of additional financing costs in the Purchase Orders, (iii) agrees that Assignor and Assignee shall each have the right to enforce and receive the benefit of such warranty provisions insofar as their interests may appear, (iv) agrees that, unless otherwise agreed to the contrary, Assignee shall have no obligations or liabilities under the Commitment Letter or Purchase Orders with respect to those Units of Equipment which are not accepted by Assignor pursuant to the Lease prior to December 31, 1986, (v) agrees to furnish Assignee on or prior to the closing date with an invoice in the amount of the purchase price, an undated Bill of Sale, and an undated Opinion of Counsel as to the title of the Units, all in form satisfactory to Assignor and Assignee, such latter undated documents to be timely delivered to the Assignee in escrow and we hereby authorize the Assignee to date the Bill of Sale and Opinion of Counsel the acceptance date of such Item of Equipment, it being understood that the warranty in the Bill of Sale that the Equipment is free of liens, claims and encumbrances upon delivery of the Equipment to the Assignee or its agent, is subject to our right to retain a security interest in the Equipment in the amount of the invoice, which security interest will be deemed fully discharged upon payment of the invoice amount and (vi) agrees to have the words "OWNED BY GREYHOUND LEASING & FINANCIAL CORPORATION, OWNER-LESSOR" conspicuously marked on each Unit prior to delivery thereof.

CONSENTED & AGREED TO BY

_____:

By: _____

Date: _____

CERTIFICATE

I, _____, Vice President-Finance of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the Lessee) DO HEREBY CERTIFY AS FOLLOWS AS OF THE DATE OF ACCEPTANCE OF EACH UNIT OF EQUIPMENT (AS NOTED ON THE ACCEPTANCE CERTIFICATE DATED THE DATE HEREOF) FOR WHICH A CLOSING IS OCCURING ON THE DATE HEREOF:

No Event of Default (as defined in the Equipment Lease Agreement ("Lease") dated as of June 15, 1986 between Greyhound Leasing & Financial Corporation and Lessee) or other event which with the giving of notice or the lapse of time, or both, would become an Event of Default, has occurred;

All of the representations and warranties of Lessee contained in the Lease are true and correct; and

There has been no materially adverse change in the financial condition of the Lessee or in Lessee's ability to perform its obligations under the Lease.

Vice President - Finance

Dated:

Exhibit "G"

Greyhound Leasing & Financial Corporation
Greyhound Tower
Phoenix, Arizona 85077
Attention: Vice President, Risk Manager -
Commercial Finance

Gentlemen:

I have 14 years experience with the Chicago and North Western Transportation Company. Presently, I am the Vice President-Engineering of the Chicago and North Western Transportation Company. My duties have involved and currently involve the determination of the useful lives and values of railroad equipment. I am familiar with the Railroad Equipment Lease dated as of June 15, 1986, pursuant to which Greyhound Leasing & Financial Corporation (Lessor) will lease to Chicago and North Western Transportation Company various units of maintenance of way equipment. Additionally, I am familiar with the Equipment and its specifications.

I assume that the Equipment will be maintained in good operating condition, ordinary wear and tear excepted, and that the market for used equipment of this nature at the lease termination will reflect no unusual conditions of supply and demand.

Based upon my experience in the industry and my review of the specifications for the Equipment, I hereby certify that, in my opinion, each Item of Equipment will have a fair market value at the end of the original term of the Lease (such fair market value being determined without including in such value any increase or decrease for inflation or deflation during such original Lease term and determined after subtracting from such value the cost, if any, for removal and delivery of possession to Lessor at the end of such term) equal to at least twenty percent (20%) of the original cost for such Item, and each Item is estimated to have a remaining useful life at the end of the original term of the Lease equal to at least twenty percent (20%) of its originally estimated useful life.

Very truly yours,